**29th July 2014**

# Jardine Lloyd Thompson Group plc

## Unaudited Interim Results for the six months ended 30th June 2014

Jardine Lloyd Thompson Group plc ("JLT" or "the Group") announces interim results for the six months ended 30th June 2014.

**Financial Highlights**

- Total revenue up 15% to £559.6m
- Organic revenue growth of 6%
- Underlying PBT up 15% to £107.4m
- Reported PBT up 16% to £98.4m
- Interim dividend increased by 5% to 10.6p

**Operational and Strategic Highlights**

- Strong organic revenue growth
- Strong growth in Asia, Latin America, and International Employee Benefits
- Good progress in the integration of Towers Watson Re
- Continuing challenges due to decline in the insurance and reinsurance rating environment and adverse foreign exchange movements
- Continuing to invest in the business through acquisitions in Hong Kong, Brazil and the UK, and a start-up venture in Argentina
- Business Transformation Programme on track to deliver £12m recurring savings for 2014

**Dominic Burke, Chief Executive, commented:**

*'We are confident that we can deliver year-on-year financial progress, but we are more cautious over the outlook for the remainder of the year given the marked decline in the insurance and reinsurance rating environment over the last quarter and the continued strength of sterling.*

*The strong organic revenue growth we achieved in the period, despite these challenges, demonstrates the success of our strategy of focusing on our areas of specialisation and higher growth economies.'*

**Enquiries:**


| | | |
|---|---|---|
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A presentation to investors and analysts will take place at 9.00am today at The St Botolph Building, 138 Houndsditch, London, EC3A 7AW. A live webcast of the presentation can be viewed on the Group's website www.jltgroup.com.

*FULL RELEASE FOLLOWS*

## INTERIM STATEMENT

For the first half of 2014 JLT delivered another good performance with strong organic revenue growth of 6%. This was achieved despite a further significant decline in the insurance and reinsurance rating environment, particularly in the second quarter, and the continuing rise in the strength of sterling.

The financial performance is summarised in the table below:

**6 months ended 30th June 2014**

| £m | Total Revenue | | | | Trading Profit | | | Trading Margin | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | Growth | CRE | Organic | 2014 | CRE | 2013 | 2014 | CRE | 2013 |
| Risk & Insurance | 429.6 | 15% | 24% | 5% | 94.9 | 104.6 | 82.7 | 22% | 23% | 22% |
| Employee Benefits | 130.0 | 13% | 18% | 12% | 26.0 | 27.5 | 21.1 | 20% | 20% | 18% |
| Central Costs | - | - | - | - | (10.4) | (10.4) | (11.0) | - | - | - |
| | **559.6** | **15%** | **22%** | **6%** | **110.5** | **121.7** | **92.8** | **19.7%** | **20.4%** | **19.0%** |

| £m | 2014 | 2013 |
|---|---|---|
| **Underlying trading profit** | **110.5** | 92.8 |
| Associates | 7.2 | 7.5 |
| Net finance costs | (10.3) | (7.2) |
| **Underlying profit before taxation** | **107.4** | 93.1 |
| Exceptional items | (9.0) | (8.0) |
| **Profit before taxation** | **98.4** | 85.1 |
| Underlying tax expense | (26.8) | (23.3) |
| Tax on exceptional items | 1.6 | 1.8 |
| Non-controlling interests | (6.6) | (4.4) |
| **Profit after taxation and non-controlling interests** | **66.6** | 59.2 |
| **Underlying profit after taxation and non-controlling interests** | **74.0** | 65.4 |
| **Diluted earnings per share** | **30.3p** | 26.9p |
| **Underlying diluted earnings per share** | **33.6p** | 29.7p |

*Notes:*

*CRE: Constant rates of exchange.*

*Organic growth is based on total revenue excluding the effect of currency, acquisitions, disposals and investment income.*

*Total revenue comprises fees, commissions and investment income.*

*Underlying results exclude exceptional items.*

Total revenue for the six months to 30th June 2014 increased by 15% to £559.6 million, an increase of 22% at constant rates of exchange (CRE), with organic revenue growth of 6%.

The underlying trading profit increased by 19% to £110.5 million, which primarily reflects the first six months contribution from Towers Watson Re. Underlying trading profit increased by 31% at CRE. Currency movements had a negative impact of £11.2 million in the period, representing the effect of transactional and translational exchange rate movements, as anticipated and highlighted at the time of our preliminary results in March.

Profit before tax increased by 16% to £98.4 million after incurring net exceptional costs of £9.0 million, comprising acquisition and integration costs of £6.2 million and £2.8 million relating to the two year Business Transformation Programme which concludes at the end of 2014.

Underlying profit before tax, which excludes the impact of exceptional items, increased by 15% to £107.4 million for the period.

As we highlighted at the time of our preliminary results in March, the acquisition of Towers Watson Re has weighted the Group's overall revenues and profits towards the first half of the financial year. This acquisition is also the primary reason that the first half trading margin for the Group has grown to 19.7%, being 70 basis points higher than the same period last year.

Diluted earnings per share increased by 13% to 30.3 pence per share for the period while underlying diluted earnings per share increased by 13% to 33.6 pence per share.

**DIVIDENDS**

The Board has declared an increased interim dividend of 10.6 pence per share, up from 10.1 pence per share, which will be paid on 1st October 2014 to shareholders on the register at 5th September 2014.

## OPERATIONAL REVIEW

The Group operates in two principal areas: Risk & Insurance and Employee Benefits. The results of each of these businesses are reported in more detail below:

### Risk & Insurance

Our Risk & Insurance businesses achieved revenue growth of 15% to £429.6 million, an increase of 24% at CRE, with organic revenue growth of 5%. Trading profit has increased by 15% to £94.9 million, an increase of 26% at CRE. As noted above, this reflects the contribution from our enlarged reinsurance broking business. The trading margin of 22% remained unchanged when compared to the same period in 2013.

**6 months ended 30th June 2014**

| £m | Total Revenue | | | | Trading Profit | | | Trading Margin | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | Growth | CRE | Organic | 2014 | CRE | 2013 | 2014 | CRE | 2013 |
| JLT Specialty | 112.3 | 2% | 4% | 4% | 16.4 | 17.5 | 17.8 | 15% | 15% | 16% |
| JLT Towers Re | 110.0 | 125% | 137% | 6% | 33.2 | 35.6 | 14.7 | 30% | 31% | 30% |
| JLT Australia and NZ | 64.5 | (10%) | 7% | 7% | 22.6 | 26.9 | 25.4 | 35% | 35% | 35% |
| Lloyd & Partners | 43.3 | (3%) | - | (1%) | 10.5 | 11.0 | 10.5 | 24% | 25% | 23% |
| JLT Asia | 38.0 | 9% | 20% | 14% | 7.0 | 7.7 | 6.4 | 18% | 18% | 18% |
| JLT Latin America | 26.2 | 2% | 19% | 17% | 6.8 | 7.9 | 7.3 | 26% | 26% | 28% |
| Thistle UK | 16.1 | 4% | 4% | 3% | (0.1) | (0.1) | (1.3) | (1%) | (1%) | (9%) |
| JLT Canada | 10.0 | (28%) | (18%) | (18%) | (1.6) | (2.0) | 0.8 | (16%) | (17%) | 6% |
| JLT Middle East and Africa | 5.6 | 60% | 76% | (27%) | (0.1) | (0.1) | 1.0 | (2%) | (2%) | 28% |
| JLT Insurance Management | 3.6 | (7%) | - | (3%) | 0.2 | 0.2 | 0.1 | 6% | 7% | 3% |
| | **429.6** | **15%** | **24%** | **5%** | **94.9** | **104.6** | **82.7** | **22%** | **23%** | **22%** |

**JLT Specialty** achieved revenues of £112.3 million, marginally ahead of the same period in 2013. Trading profits were £16.4 million, compared to £17.8 million in the first half of 2013, reflecting the tough trading conditions that this business has experienced. The business delivered organic revenue growth of 4% and goes into the second half of the year in good shape in terms of both its underlying new business pipeline and the strength of its specialist teams in which we continue to invest.

However, we anticipate that the accelerating decline in insurance rates experienced in the second quarter combined with the continued strengthening of sterling will result in JLT Specialty's overall financial performance in 2014 being broadly similar to 2013.

**JLT Towers Re** has had a good start to its first period of trading. Organic revenue growth was 6% in the period and the enlarged business delivered an unchanged trading profit margin of 30%. Revenue for the combined JLT Towers Re for the period was £110.0 million. Historically approximately 70% of our reinsurance revenues were booked in the first six months of the calendar year and we expect a similar pattern going forward for the merged business.

The overall integration is progressing well. In North America we have seen high levels of client and people retention and are now actively engaged in recruiting both senior leaders and producers. In London both teams are fully merged and operating out of one building. The focus for the enlarged business is on building new business opportunities for 2015 and beyond and we are very encouraged both by the support of cedants and the strength of the developing pipeline.

This is a business with an exciting long-term growth opportunity. There is strong client demand for a differentiated broker that can provide real choice and innovation. We now have the scale, capabilities and client access to win increasing market share and we are committed to making significant investments in our reinsurance businesses around the world, particularly in the USA, now and into the future.

However, we would expect the full year margin to be broadly flat on the prior year. In addition to our ongoing investment in the business, this is due to the sharp decline in the reinsurance rating environment, given that JLT Towers Re earns a much higher proportion of commission income than the rest of the Group. A further factor is the continued strengthening of sterling seen so far in 2014, as Towers Watson Re did not have a hedging programme in place at the time of the acquisition.

**JLT Australia and New Zealand** achieved revenues of £64.5 million, a reduction of 10% due to the strength of sterling. At CRE revenues grew by 7% all of which was organic. Trading profit declined by 11% to £22.6 million, but increased by 6% at CRE. Included within the first half were some revenues that were anticipated in the second half. The good underlying performance reflects the growing benefits being delivered by the investments we are making in our specialty areas and the continued strength of our Public Sector business.

**Lloyd & Partners**, our specialist wholesale broker, saw revenues reduce by 3% to £43.3 million and trading profit remain unchanged at £10.5 million. However at CRE, revenues were flat and trading profit increased by 6%.

During the period this business has continued to invest in expanding its specialty capabilities in areas such as Energy & Marine and Property. However the business has also had to contend with surplus capital in domestic markets in particular, which is currently making the London, European, and Bermuda markets less attractive to Lloyd & Partners' clients.

**JLT Asia** reported revenues of £38.0 million and trading profit of £7.0 million, each representing a 9% increase over the same period in 2013. At CRE this represented an increase in revenues of 20%, with organic revenue growth of 14% and an uplift in trading profit of 19%. This strong performance was delivered by our investment in building our specialty capabilities which is enabling us to continue to attract new clients and win market share in areas such as Construction, Energy and Marine. In January the business acquired Lambert Brothers which has added considerably to our Marine and Corporate capabilities.

**JLT Latin America** has continued to perform well with revenues increasing by 2% to £26.2 million, or 19% at CRE. Organic revenue growth was 17%. Trading profit decreased by 6% to £6.8 million, but increased by 9% at CRE. The trading margin for the half year reduced to 26% in line with expectations as the business continues to invest in building-out its specialty capabilities. We also established a new start-up operation in Argentina during this period, focussed on large scale Energy, Infrastructure and Corporate accounts.

### Employee Benefits

Our Employee Benefits operations delivered revenues of £130.0 million, a 13% increase, with organic revenue growth of 12%. This good performance was largely driven by the continued strong results of our international Employee Benefits operations. Trading profit grew to £26.0 million, an increase of 23% over the corresponding period in 2013. The 20% trading profit margin of the combined Employee Benefits operations increased by 200 basis points over the same period last year.

**6 months ended 30th June 2014**

| £m | Total Revenue | | | | Trading Profit | | | Trading Margin | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | Growth | CRE | Organic | 2014 | CRE | 2013 | 2014 | CRE | 2013 |
| UK & Ireland | 85.4 | 5% | 5% | 1% | 12.3 | 12.3 | 12.9 | 14% | 14% | 16% |
| Asia | 30.6 | 35% | 49% | 42% | 11.1 | 12.2 | 7.5 | 36% | 36% | 33% |
| Latin America | 9.3 | 39% | 63% | 30% | 2.6 | 3.0 | 1.2 | 28% | 27% | 17% |
| Australia and NZ | 3.1 | (7%) | 12% | 12% | 0.3 | 0.3 | (0.3) | 10% | 10% | (9%) |
| Canada | 0.9 | (8%) | 7% | 6% | (0.2) | (0.2) | - | (22%) | (22%) | 3% |
| Middle East and Africa | 0.7 | - | - | - | (0.1) | (0.1) | (0.2) | (16%) | (16%) | - |
| | **130.0** | **13%** | **18%** | **12%** | **26.0** | **27.5** | **21.1** | **20%** | **20%** | **18%** |

**UK & Ireland Employee Benefits** delivered revenues of £85.4 million, an increase of 5%, with organic revenue growth of 1% and trading profit reducing by 5% to £12.3 million. Our pension administration business has continued to grow, with both new clients and further penetration of the existing client base, the benefits of which will come through in the second half of the year and into the future. There were some important changes to the UK pensions regime during the period. While the changes to the individual annuity market adversely impacted a small part of our business, we have been quick to take the opportunity to build out our bulk-purchase annuity advisory and administration capabilities. Our market position in this sector has been further strengthened by our acquisition of Ensign Pensions Administration in April.

Overall, therefore, we are expecting our UK & Ireland Employee Benefits business to show year-on-year financial progress.

**Asia Employee Benefits** continued to perform well with revenues increasing by 35% or 49% at CRE, of which 42% was organic. The trading profit increased by 48% to £11.1 million, an increase of 62% at CRE. This included a strong contribution from our high-net-worth life insurance broker, with good progress being made through the representative office opened in Geneva in 2013 which complements its existing hubs in Asia where it remains the clear market leader.

Our Employee Benefits operations in Latin America and Australia & New Zealand continue to make good progress.

## ASSOCIATES

**6 months ended 30th June 2014**

| £m | **Contribution After Tax** | | |
|---|---|---|---|
| | 2014 | 2013 | Growth |
| Associates | **7.2** | **7.5** | **(4%)** |

The contribution from our associates reduced slightly, reflecting a combination of the challenging macro-economic trading conditions being experienced across continental Europe and the strength of sterling. The benefits of the specialty-led approach, which JLT has helped drive across our international network, is creating new opportunities to work collaboratively with our partners.

## EXCEPTIONAL ITEMS

Total exceptional costs for the period were £9.0 million (2013: £8.0 million), in line with expectations. These primarily comprised one-off acquisition and integration costs, in particular in relation to Towers Watson Re which was acquired in November 2013, and the costs of the two year Business Transformation Programme which concludes at the end of 2014.

For 2014 as a whole, exceptional items are expected to be in the region of £20.7 million, reflecting acquisition and integration costs of £12.2 million, primarily in relation to the Towers Watson Re acquisition, together with the cost of the second and final year of the two year Business Transformation Programme of £8.5 million.

## OPERATING COSTS

In 2014 the Group's underlying operating cost ratio reduced by 70 basis points to 80.3% of total revenue, when compared to the same period last year.

This was primarily driven by the impact of the acquisition of Towers Watson Re at the end of 2013 where, in common with our existing reinsurance business, a larger proportion of revenue is recognised in the first half of the year.

As highlighted in March, our London property costs will increase by £5 million for the full year 2014 following our move to The St Botolph Building.

## CASH FLOW AND BALANCE SHEET

Cash flows in the first half of the year closely mirror those of the same period in 2013, with the increase in working capital outflow reflecting the impact of the first half renewals of the acquired Tower Watson Re business and the resultant increase in trade receivables.

Following the additional £75 million of loan notes issued in April 2014, the Group has committed unsecured long term debt facilities equivalent to £636 million with maturities between 2015 and 2026. Gross borrowings at 30th June were £555 million which includes £533 million of borrowings under the Group's committed facilities, leaving unutilised committed facilities headroom of approximately £103 million. Net debt at 30th June 2014 was £436 million. This represents a Net Debt to EBITDA ratio of 1.8:1 which remains comfortably within our debt facilities covenants and represents the peak of our normal annual leverage cycle.

Net pension liabilities at 30th June 2014 have increased to £149 million mainly due to the decrease in the underlying discount rate applicable to scheme liabilities.

## FOREIGN EXCHANGE

The Group's major transactional currency exposure arises in our businesses which earn US dollar denominated revenue but which have a sterling cost base. The Group continues to operate a rolling US dollar hedging programme to smooth the volatility caused by exchange rate movements.

At 28th July 2014, some 77% of anticipated US dollar revenues for 2014 (approximately US$350 million) are hedged at an average rate of US$1.56. For 2015 some 48% of US dollar revenues are hedged at an average rate of US$1.53 and 25% are hedged for 2016 at an average rate of US$1.54. The Group's overall hedged position in the period has been affected by the fact that Towers Watson Re was acquired without any hedging programme in place.

As a guide, each one cent movement in our achieved rate currently translates into a change of approximately £1.4 million in revenue and a corresponding impact on trading profit equal to approximately 65% of the revenue change.

In addition to the transactional foreign exchange exposure which is managed through the Group's hedging programmes, JLT is also exposed to the translational effect of foreign exchange movements on overseas earnings which are not hedged, the most material of which is the Australian Dollar, given the relative size and profitability of the Group's Australian business.

In March we gave guidance that the Group was facing a potential £12.7 million reduction in profits over the year as a result of both transactional and translational foreign exchange.

At 30th June the impact of exchange rates had already reduced the Group's trading profit by £11.2 million, compared to the same period in 2013.

Given the current strength of sterling, we would expect further negative year-on-year exchange rate variances during the remainder of the year, albeit less than the first half effect given that sterling strengthened significantly during the second half of 2013.

**BUSINESS TRANSFORMATION PROGRAMME**

Our two year Business Transformation Programme, which concludes at the end of the year is designed to capture two opportunities. Firstly, to improve the process and back office activities of our Asian and Latin American businesses and secondly, to strengthen and align the operating platforms of our more mature businesses to enable greater specialty focus, increased international collaboration and the seamless servicing of global clients. At the half year, the Group had incurred one-off costs of £2.8 million.

The projected total one-off costs and recurring savings for the two year programme remain at £18 million and £12 million respectively.

**OUTLOOK**

We are confident that we can deliver year-on-year financial progress, but we are more cautious over the outlook for the remainder of the year given the marked decline in the insurance and reinsurance rating environment over the last quarter and the continued strength of sterling.

The strong organic revenue growth we achieved in the period, despite these challenges, demonstrates the success of our strategy of focusing on our areas of specialisation and higher growth economies.

Results follow

**Jardine Lloyd Thompson Group plc**
**Consolidated Income Statement**
**Unaudited Interim Results for the six months ended 30th June 2014**

| | Notes | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
|---|---|---|---|
| Fees and commissions | 3 | **558,045** | 485,310 |
| Investment income | 3 | **1,590** | 1,905 |
| **Total revenue** | | **559,635** | 487,215 |
| Salaries and associated expenses | | **(324,375)** | (286,918) |
| Premises | | **(29,825)** | (25,050) |
| Other operating costs | | **(90,250)** | (78,758) |
| Depreciation, amortisation and impairment charges | 4 | **(13,768)** | (11,724) |
| **Operating profit** | 2,3,4 | **101,417** | 84,765 |
| **Analysed as:** | | | |
| **Operating profit before exceptional items** | 3 | **110,499** | 92,794 |
| Acquisition and integration costs | 4 | **(6,320)** | (3,928) |
| Business Transformation Programme | 4 | **(2,762)** | (3,808) |
| Other exceptional items | 4 | **-** | (293) |
| **Operating profit** | 2,3,4 | **101,417** | 84,765 |
| Finance costs | | **(10,936)** | (8,046) |
| Finance income | | **703** | 912 |
| Finance costs – net | | **(10,233)** | (7,134) |
| Share of results of associates | | **7,173** | 7,485 |
| **Profit before taxation** | 2,3 | **98,357** | 85,116 |
| Income tax expense | 5 | **(25,160)** | (21,544) |
| **Profit for the period** | | **73,197** | 63,572 |
| **Profit attributable to:** | | | |
| Owners of the parent | 3 | **66,621** | 59,172 |
| Non-controlling interests | | **6,576** | 4,400 |
| | | **73,197** | 63,572 |
| **Earnings per share attributable to the owners of the parent during the period (expressed in pence per share)** | 6 | | |
| Basic earnings per share | | **30.3p** | 27.0p |
| Diluted earnings per share | | **30.3p** | 26.9p |

The notes on pages 15 to 40 form an integral part of these condensed consolidated interim financial statements.

## Jardine Lloyd Thompson Group plc
## Consolidated Statement of Comprehensive Income
## Unaudited Interim Results for the six months ended 30th June 2014

| | Notes | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
|---|---|---|---|
| **Profit for the period** | | **73,197** | 63,572 |
| **Other comprehensive (expense)/income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of post employment benefit obligations | 21 | **(16,666)** | 1,943 |
| Taxation thereon | | **3,178** | 884 |
| **Total items that will not be reclassified to profit or loss** | | **(13,488)** | 2,827 |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Fair value gains/(losses) net of tax | | | |
| - available-for-sale | | **10** | 30 |
| - cash flow hedges | | **5,084** | (25,815) |
| Currency translation differences | | **(9,906)** | 6,881 |
| **Total items that may be reclassified subsequently to profit or loss** | | **(4,812)** | (18,904) |
| **Other comprehensive expense net of tax** | | **(18,300)** | (16,077) |
| **Total comprehensive income for the period** | | **54,897** | 47,495 |
| **Attributable to:** | | | |
| Owners of the parent | | **48,900** | 42,707 |
| Non-controlling interests | | **5,997** | 4,788 |
| | | **54,897** | 47,495 |

The notes on pages 15 to 40 form an integral part of these condensed consolidated interim financial statements.

**Jardine Lloyd Thompson Group plc**
**Consolidated Balance Sheet**
**Unaudited Interim Results as at 30th June 2014**

| | Notes | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 | As at 31st December 2013 £'000 |
|---|---|---|---|---|
| NET OPERATING ASSETS | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **438,188** | 283,722 | 429,450 |
| Other intangible assets | | **84,822** | 57,121 | 69,092 |
| Property, plant and equipment | | **60,002** | 44,351 | 59,715 |
| Investments in associates | | **103,235** | 102,781 | 101,445 |
| Available-for-sale financial assets | 8,13 | **15,039** | 24,742 | 22,346 |
| Derivative financial instruments | 9,13 | **19,098** | 12,050 | 16,906 |
| Deferred tax assets | | **47,110** | 46,229 | 51,809 |
| | | **767,494** | 570,996 | 750,763 |
| **Current assets** | | | | |
| Trade and other receivables | 10 | **485,442** | 392,436 | 411,428 |
| Derivative financial instruments | 9,13 | **10,513** | 1,558 | 9,826 |
| Available-for-sale financial assets | 8,13 | **1,331** | 1,026 | 1,421 |
| Current tax assets | | **111** | - | - |
| Cash and cash equivalents | 11,13 | **838,170** | 709,525 | 753,164 |
| | | **1,335,567** | 1,104,545 | 1,175,839 |
| **Current liabilities** | | | | |
| Borrowings | 13,14 | **(22,443)** | (20,563) | (12,995) |
| Trade and other payables | 12 | **(971,037)** | (826,628) | (909,595) |
| Derivative financial instruments | 9,13 | **(1,769)** | (4,587) | (2,344) |
| Current tax liabilities | | **-** | (1,277) | (5,201) |
| Provisions for liabilities and charges | 15 | **(7,369)** | (11,926) | (10,158) |
| | | **(1,002,618)** | (864,981) | (940,293) |
| **Net current assets** | | **332,949** | 239,564 | 235,546 |
| **Non-current liabilities** | | | | |
| Borrowings | 13,14 | **(532,554)** | (307,901) | (447,188) |
| Derivative financial instruments | 9,13 | **(32,696)** | (21,188) | (30,543) |
| Deferred tax liabilities | | **(14,293)** | (8,108) | (12,542) |
| Retirement benefit obligations | 21 | **(148,530)** | (126,414) | (130,627) |
| Provisions for liabilities and charges | 15 | **(4,779)** | (3,450) | (4,952) |
| | | **(732,852)** | (467,061) | (625,852) |
| | | **367,591** | 343,499 | 360,457 |
| TOTAL EQUITY | | | | |
| **Capital and reserves attributable to the owners of the parent** | | | | |
| Ordinary shares | | **11,005** | 11,002 | 11,003 |
| Share premium | 16 | **103,870** | 103,644 | 103,739 |
| Fair value and hedging reserves | 16 | **22,318** | (10,329) | 17,224 |
| Exchange reserves | 16 | **(11,326)** | 27,386 | (1,999) |
| Retained earnings | | **219,993** | 195,881 | 211,009 |
| **Shareholders' equity** | | **345,860** | 327,584 | 340,976 |
| Non-controlling interests | | **21,731** | 15,915 | 19,481 |
| | | **367,591** | 343,499 | 360,457 |

The notes on pages 15 to 40 form an integral part of these condensed consolidated interim financial statements.

## Jardine Lloyd Thompson Group plc
## Consolidated Statement of Changes in Equity
## Unaudited Interim Results for the six months ended 30th June 2014

| | Notes | 6 months ended 30th June 2014 | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Ordinary shares £'000** | **Other reserves £'000** | **Retained earnings £'000** | **Shareholders' equity £'000** | **Non-controlling interests £'000** | **Total equity £'000** |
| **Balance at 1st January 2014** | | **11,003** | **118,964** | **211,009** | **340,976** | **19,481** | **360,457** |
| Profit for the period | | - | - | 66,621 | **66,621** | 6,576 | **73,197** |
| Other comprehensive income for the period | | - | (4,233) | (13,488) | **(17,721)** | (579) | **(18,300)** |
| **Total comprehensive income for the period** | | **-** | **(4,233)** | **53,133** | **48,900** | **5,997** | **54,897** |
| Dividends | 7 | - | - | (37,221) | **(37,221)** | (3,254) | **(40,475)** |
| Amounts in respect of share based payments: | | | | | | | |
| - reversal of amortisation | | - | - | 9,772 | **9,772** | - | **9,772** |
| - shares acquired | | - | - | (15,367) | **(15,367)** | - | **(15,367)** |
| Acquisitions | 19 | - | - | - | **-** | (493) | **(493)** |
| Change in non-controlling interests | 19 | - | - | (1,333) | **(1,333)** | - | **(1,333)** |
| Issue of share capital | | 2 | 131 | - | **133** | - | **133** |
| **Balance at 30th June 2014** | | **11,005** | **114,862** | **219,993** | **345,860** | **21,731** | **367,591** |

| | Notes | 6 months ended 30th June 2013 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Ordinary shares £'000 | Other reserves £'000 | Retained earnings £'000 | Shareholders' equity £'000 | Non-controlling interests £'000 | Total equity £'000 |
| Balance at 1st January 2013 | | 10,997 | 139,537 | 182,775 | 333,309 | 14,909 | 348,218 |
| Profit for the period | | - | - | 59,172 | 59,172 | 4,400 | 63,572 |
| Other comprehensive income for the period | | - | (19,292) | 2,827 | (16,465) | 388 | (16,077) |
| Total comprehensive income for the period | | - | (19,292) | 61,999 | 42,707 | 4,788 | 47,495 |
| Dividends | 7 | - | - | (34,919) | (34,919) | (3,189) | (38,108) |
| Amounts in respect of share based payments: | | | | | | | |
| - reversal of amortisation | | - | - | 9,908 | 9,908 | - | 9,908 |
| - shares acquired | | - | - | (18,665) | (18,665) | - | (18,665) |
| Acquisitions | | - | - | - | - | (633) | (633) |
| Additions | | - | - | - | - | 40 | 40 |
| Change in non-controlling interests | | - | - | (5,217) | (5,217) | - | (5,217) |
| Issue of share capital | | 5 | 456 | - | 461 | - | 461 |
| Balance at 30th June 2013 | | 11,002 | 120,701 | 195,881 | 327,584 | 15,915 | 343,499 |

The notes on pages 15 to 40 form an integral part of these condensed consolidated interim financial statements.

## Jardine Lloyd Thompson Group plc
## Consolidated Statement of Cash Flows
## Unaudited Interim Results for the six months ended 30th June 2014

| | Notes | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 18 | **26,330** | 36,916 |
| Interest paid | | **(7,651)** | (3,916) |
| Interest received | | **2,581** | 2,627 |
| Taxation paid | | **(17,931)** | (19,932) |
| Increase in net insurance broking creditors | | **72,725** | 100,331 |
| | | **76,054** | 116,026 |
| Dividend received from associates | | **1,526** | 1,770 |
| **Net cash generated from operating activities** | | **77,580** | 117,796 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(5,381)** | (21,695) |
| Purchase of other intangible assets | | **(25,882)** | (11,304) |
| Proceeds from disposal of property, plant and equipment | | **442** | 391 |
| Proceeds from disposal of other intangible assets | | **-** | 2 |
| Acquisition of businesses, net of cash acquired | 19 | **(9,902)** | (7,206) |
| Acquisition of associates | | **-** | (24) |
| Proceeds from disposal of business, net of cash disposed | 20 | **8** | - |
| Purchase of available-for-sale other investments | | **-** | (3,230) |
| Proceeds from disposal of available-for-sale other investments | | **1,102** | - |
| **Net cash used in investing activities** | | **(39,613)** | (43,066) |
| **Cash flows from financing activities** | | | |
| Dividends paid to owners of the parent | | **(37,493)** | (35,629) |
| Purchase of available-for-sale financial assets | | **(1,310)** | (6,239) |
| Proceeds from disposal of available-for-sale financial assets | | **7,928** | 252 |
| Purchase of shares | | **(15,367)** | (18,665) |
| Proceeds from issuance of ordinary shares | | **133** | 461 |
| Proceeds from borrowings | | **128,013** | 161,987 |
| Repayments of borrowings | | **(30,389)** | (90,482) |
| Dividends paid to non-controlling interests | | **(3,254)** | (3,189) |
| **Net cash generated from financing activities** | | **48,261** | 8,496 |
| **Net increase in cash and cash equivalents** | | **86,228** | 83,226 |
| Cash and cash equivalents at beginning of the period | | **753,164** | 624,321 |
| Exchange (losses)/gains on cash and cash equivalents | | **(1,222)** | 1,978 |
| **Cash and cash equivalents at end of the period** | | **838,170** | 709,525 |

The notes on pages 15 to 40 form an integral part of these condensed consolidated interim financial statements.

**Jardine Lloyd Thompson Group plc**
**Notes to the Unaudited Interim Results**
**For the six months ended 30th June 2014**

## 1. Basis of accounting

The Group's condensed consolidated interim financial statements for the six months ended 30th June 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The Group has considerable financial resources and a geographically diversified business and as a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these interim results. These financial statements should be read in conjunction with the consolidated statutory accounts of the Group for the year ended 31st December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31st December 2013 were approved by the Board of Directors on 14th March 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

The accounting policies are consistent with those of the annual financial statements for the year ended 31st December 2013 except as described below.

IFRS 10, 'Consolidated financial statements'. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The Group has applied IFRS 10 and this had no effect on the consolidated accounts as at 31st December 2013.

IFRS 11, 'Joints arrangements'. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has applied IFRS 11 and this had no effect on the consolidated accounts as at 31st December 2013.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2013.

Full details of the audited accounts and accounting policies for the year ended 31st December 2013 are available at www.jltgroup.com.

## 2. Alternative income statement

The format of the consolidated income statement on page 10 conforms to the requirements of IFRS. The alternative income statement set out below, which is provided by way of additional information, has been prepared on a basis that conforms more closely to the approach adopted by the Group in assessing its performance. The statement provides a reconciliation between the underlying results used by the Group to assess performance and the IFRS income statement.

| | **6 months ended 30th June 2014** | | |
|---|---|---|---|
| | **Underlying profit £'000** | **Exceptional items £'000** | **Total £'000** |
| Fees and commissions | **558,045** | - | **558,045** |
| Investment income | **1,590** | - | **1,590** |
| Salaries and associated expenses | **(319,878)** | (4,497) | **(324,375)** |
| Premises | **(27,909)** | (1,916) | **(29,825)** |
| Other operating costs | **(87,581)** | (2,669) | **(90,250)** |
| Depreciation, amortisation and impairment charges | **(13,768)** | - | **(13,768)** |
| **Trading profit** | **110,499** | **(9,082)** | **101,417** |
| Finance costs – net | **(10,233)** | - | **(10,233)** |
| Share of results of associates | **7,173** | - | **7,173** |
| **Profit before taxation** | **107,439** | **(9,082)** | **98,357** |

| | 6 months ended 30th June 2013 | | |
|---|---|---|---|
| | Underlying profit £'000 | Exceptional items £'000 | Total £'000 |
| Fees and commissions | 485,310 | - | 485,310 |
| Investment income | 1,905 | - | 1,905 |
| Salaries and associated expenses | (280,972) | (5,946) | (286,918) |
| Premises | (24,914) | (136) | (25,050) |
| Other operating costs | (76,811) | (1,947) | (78,758) |
| Depreciation, amortisation and impairment charges | (11,724) | - | (11,724) |
| Trading profit | 92,794 | (8,029) | 84,765 |
| Finance costs – net | (7,134) | - | (7,134) |
| Share of results of associates | 7,485 | - | 7,485 |
| Profit before taxation | 93,145 | (8,029) | 85,116 |

## 3. Segment information

Management has determined its operating segments based on the analysis used to make strategic decisions.

**Business segment analysis**

The Group is organised on a worldwide basis into three main segments: Risk & Insurance, Employee Benefits and Head Office & Other operations. These segments are consistent with the internal reporting structure of the Group.

The Risk & Insurance segment comprises JLT's global specialty retail and wholesale, reinsurance, personal lines and SME broking, advisory and other services. The Employee Benefits segment consists of pension administration, outsourcing and employee benefits consultancy, healthcare and wealth management activities. Certain Risk & Insurance and Employee Benefits operating segments have been disclosed within the reporting segments given their individual size. The Head Office & Other segment consists mainly of holding companies, central administration functions, the Group's captive insurance companies and the Group's investments in associates.

As JLT Towers Re now meets the quantitative thresholds it is disclosed as a separate operating segment. During the period, the Group has reclassified the Middle East and North Africa business which was reported previously in JLT Specialty to the Middle East and Africa segment (included in Other Risk & Insurance). Prior period numbers have been restated accordingly.

**Segment results**

Management assesses the performance of the operating segments based upon a measure of underlying trading profit. Segment results include the net income or expense derived from the trading activities of the segment together with the investment income earned on fiduciary funds. Interest income on the Group's own funds and finance costs are excluded as they are not considered as part of the trading activities of the Group's primary segments. Income tax expense and the charge in respect of non-controlling interests are excluded from the segmental allocation.

**Segment assets and liabilities**

Assets and liabilities are not allocated to individual segments and are therefore all reported within Head Office & Other.

**Investments in associates**

The Group owns the following stakes in its principal associates: 26% in Milestone, the holding company of Siaci Saint Honoré, which operates principally in France; 20% of GrECo, which operates mainly in Austria and Central and Eastern Europe; 25% of MAG-JLT, which operates mainly in Italy and 25% of March-JLT, which operates mainly in Spain. The investment and the Group's share of the net profit of these associates are included in the Head Office & Other segment, together with the investment and results of the Group's other associates, Sterling Re Intermediaro de Reaseguro SA de CV, JLT Insurance Management Malta and JLT Energy (France) SAS.

**Other segment items**

Capital expenditure comprises additions to property, plant and equipment and other intangible assets.

## 3. Segment information cont'd

| | 6 months ended 30th June 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Risk & Insurance | | | | | Employee Benefits | | | |
| | JLT Specialty £'000 | JLT Towers Re £'000 | JLT Australia & New Zealand £'000 | Lloyd & Partners £'000 | Other Risk & Insurance £'000 | UK & Ireland £'000 | Other Employee Benefits £'000 | Head Office & Other £'000 | Total £'000 |
| Fees and commissions | 111,925 | 109,802 | 63,773 | 43,278 | 99,226 | 85,374 | 44,667 | - | **558,045** |
| Investment income | 344 | 162 | 686 | 59 | 318 | - | 21 | - | **1,590** |
| **Total revenue** | **112,269** | **109,964** | **64,459** | **43,337** | **99,544** | **85,374** | **44,688** | **-** | **559,635** |
| **Underlying trading profit** | **16,446** | **33,229** | **22,595** | **10,468** | **12,201** | **12,314** | **13,658** | **(10,412)** | **110,499** |
| Operating profit | 15,675 | 28,345 | 22,595 | 10,468 | 10,550 | 11,789 | 13,526 | (11,531) | **101,417** |
| Finance costs - net | - | - | - | - | - | - | - | (10,233) | **(10,233)** |
| Share of results of associates | - | - | - | - | - | - | - | 7,173 | **7,173** |
| **Profit before taxation** | **15,675** | **28,345** | **22,595** | **10,468** | **10,550** | **11,789** | **13,526** | **(14,591)** | **98,357** |
| Income tax expense | - | - | - | - | - | - | - | (25,160) | **(25,160)** |
| Non-controlling interests | - | - | - | - | - | - | - | (6,576) | **(6,576)** |
| **Net profit** | **15,675** | **28,345** | **22,595** | **10,468** | **10,550** | **11,789** | **13,526** | **(46,327)** | **66,621** |
| Segment assets | | | | | | | | 1,999,826 | **1,999,826** |
| Investments in associates | | | | | | | | 103,235 | **103,235** |
| **Total assets** | | | | | | | | **2,103,061** | **2,103,061** |
| Segment liabilities | | | | | | | | (1,735,470) | **(1,735,470)** |
| **Total liabilities** | | | | | | | | **(1,735,470)** | **(1,735,470)** |
| **Other segment items:** | | | | | | | | | |
| Capital expenditure | 4,839 | 177 | 1,461 | 9,498 | 4,281 | 3,215 | 671 | 7,121 | **31,263** |
| Depreciation, amortisation and impairment | (1,803) | (907) | (1,415) | (1,326) | (3,128) | (2,995) | (503) | (5,556) | **(17,633)** |

## 3. Segment information cont'd

| | 6 months ended 30th June 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Risk & Insurance | | | | | Employee Benefits | | | |
| | JLT Specialty £'000 | JLT Towers Re £'000 | JLT Australia & New Zealand £'000 | Lloyd & Partners £'000 | Other Risk & Insurance £'000 | UK & Ireland £'000 | Other Employee Benefits £'000 | Head Office & Other £'000 | Total £'000 |
| Fees and commissions | 109,352 | 48,769 | 70,668 | 44,606 | 96,952 | 81,333 | 33,630 | - | 485,310 |
| Investment income | 443 | 63 | 987 | 71 | 318 | 1 | 22 | - | 1,905 |
| Total revenue | 109,795 | 48,832 | 71,655 | 44,677 | 97,270 | 81,334 | 33,652 | - | 487,215 |
| Underlying trading profit | 17,854 | 14,743 | 25,436 | 10,469 | 14,229 | 12,912 | 8,184 | (11,033) | 92,794 |
| Operating profit | 17,016 | 14,743 | 25,106 | 10,469 | 12,235 | 8,880 | 7,642 | (11,326) | 84,765 |
| Finance costs - net | - | - | - | - | - | - | - | (7,134) | (7,134) |
| Share of results of associates | - | - | - | - | - | - | - | 7,485 | 7,485 |
| Profit before taxation | 17,016 | 14,743 | 25,106 | 10,469 | 12,235 | 8,880 | 7,642 | (10,975) | 85,116 |
| Income tax expense | - | - | - | - | - | - | - | (21,544) | (21,544) |
| Non-controlling interests | - | - | - | - | - | - | - | (4,400) | (4,400) |
| Net profit | 17,016 | 14,743 | 25,106 | 10,469 | 12,235 | 8,880 | 7,642 | (36,919) | 59,172 |
| | | | | | | | | | |
| Segment assets | | | | | | | | 1,572,760 | 1,572,760 |
| Investments in associates | | | | | | | | 102,781 | 102,781 |
| Total assets | | | | | | | | 1,675,541 | 1,675,541 |
| Segment liabilities | | | | | | | | (1,332,042) | (1,332,042) |
| Total liabilities | | | | | | | | (1,322,042) | (1,332,042) |
| | | | | | | | | | |
| Other segment items: | | | | | | | | | |
| Capital expenditure | 746 | 767 | 2,828 | 635 | 4,315 | 3,003 | 377 | 20,328 | 32,999 |
| Depreciation, amortisation and impairment | (2,132) | (628) | (1,332) | (566) | (2,803) | (2,252) | (322) | (5,218) | (15,253) |

## 4. Operating profit

| | 6 months ended 30th June 2014 £'000 | 6 months ended 30th June 2013 £'000 |
|---|---|---|
| **The following items have been (credited)/charged in arriving at operating profit:** | | |
| Foreign exchange (gains)/losses: | | |
| - fees and commissions | **(4,055)** | (1,825) |
| - other operating costs | **1,726** | (967) |
| | **(2,329)** | (2,792) |
| Amortisation of other intangible assets: | | |
| - software costs | **7,538** | 5,711 |
| - other intangible assets | **796** | 530 |
| Depreciation on property, plant and equipment | **5,434** | 5,483 |
| Total depreciation and amortisation charges | **13,768** | 11,724 |
| Amortisation of other intangible assets: | | |
| - employment contract payments (included in salaries and associated expenses) | **3,865** | 3,529 |
| Gains on disposal of property, plant and equipment | **(86)** | (77) |
| Available-for-sale financial assets: | | |
| - fair value losses/(gains) | **50** | (378) |
| - gain on sale | **(103)** | (1) |
| | **(53)** | (379) |
| **Exceptional items:** | | |
| Acquisition and integration costs of which: | | |
| - included in salaries and associated expenses | **2,635** | 2,404 |
| - included in premises costs | **1,916** | 136 |
| - included in other operating costs | **1,769** | 1,388 |
| | **6,320** | 3,928 |
| Business Transformation Programme of which: | | |
| - included in salaries and associated expenses | **1,862** | 3,542 |
| - included in premises costs | **-** | - |
| - included in other operating costs | **900** | 266 |
| | **2,762** | 3,808 |
| London premises consolidation costs | **-** | 293 |
| **Total exceptional items** | **9,082** | 8,029 |

## 5. Income tax expense

| | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
|---|---|---|
| **Current tax expense** | | |
| Current period | **15,567** | 13,011 |
| Adjustments in respect of prior periods | **315** | (245) |
| | **15,882** | 12,766 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **10,079** | 9,255 |
| Reduction in tax rate | **-** | 13 |
| Adjustments in respect of prior periods | **(801)** | (490) |
| | **9,278** | 8,778 |
| **Total income tax expense** | **25,160** | 21,544 |

The total income tax expense in the income statement of £25,160,000 includes a tax credit on exceptional items of £1,702,000 (2013: £1,799,000). There were no non-recurring tax credits in the period.

The UK Government has announced various measures in relation to UK corporation tax including a 2% reduction in the headline rate of corporation tax from April 2014 and a further reduction of 1% in 2015. These reductions reduce the UK tax rate from 23% to 20%. As at 30th June 2014 the 2% rate reduction to 21% is already in force and the subsequent 1% rate reduction has been enacted. The impact of the 1% reduction has therefore been incorporated into the income tax charge for the six months ended 30th June 2014.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

| | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
|---|---|---|
| **Profit before taxation** | **98,357** | 85,116 |
| Tax calculated at UK Corporation Tax rate of 21.5% (2013: 23.25%) | **21,147** | 19,789 |
| Non-deductible expenses* | **2,386** | 2,264 |
| Adjustments in respect of prior periods | **(486)** | (735) |
| Effect of UK and non-UK tax rate differences | **3,655** | 1,966 |
| Tax on associates | **(1,542)** | (1,740) |
| **Total income tax expense** | **25,160** | 21,544 |

** The non-deductible expenses relate primarily to non-deductible entertainment expenses.*

## 6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding unallocated shares held by the Trustees of the Employee Share Ownership Plan Trust and the Qualifying Employee Share Ownership Trust.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Additionally basic and diluted earnings per share are also calculated based on underlying earnings attributable to the owners of the parent.

A reconciliation of earnings is set out below.

| | **As at 30th June 2014 No. of shares** | As at 30th June 2013 No. of shares |
|---|---|---|
| Weighted average number of ordinary shares in issue | **219,645,128** | 218,994,347 |
| Effect of outstanding share options | **520,130** | 1,114,844 |
| **Adjusted weighted average number of ordinary shares for diluted earnings per share** | **220,165,258** | 220,109,191 |

| | **6 months ended 30th June 2014** | | | 6 months ended 30th June 2013 | | |
|---|---|---|---|---|---|---|
| | **£'000** | **Basic pence per share** | **Diluted pence per share** | £'000 | Basic pence per share | Diluted pence per share |
| **Earnings reconciliation** | | | | | | |
| **Underlying profit after taxation and non-controlling interests** | **74,001** | **33.7** | **33.6** | 65,402 | 29.9 | 29.7 |
| Exceptional items before tax | **(9,082)** | | | (8,029) | | |
| Taxation thereon | **1,702** | | | 1,799 | | |
| | **(7,380)** | **(3.4)** | **(3.3)** | (6,230) | (2.9) | (2.8) |
| **Profit attributable to the owners of the parent** | **66,621** | **30.3** | **30.3** | 59,172 | 27.0 | 26.9 |

## 7. Dividends

| | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
|---|---|---|
| Final dividend in respect of 2013 of 17.1p per share (2012: 15.9p) | **37,221** | 34,919 |

An interim dividend in respect of 2014 of 10.6p per share (2013: 10.1p) amounting to a total of £23,396,000 (2013: £22,090,000) is payable on 1st October 2014 to shareholders who are registered at the close of business on 5th September 2014. The dividend proposed will not be accounted for until it is paid. The ex-dividend date will be 3rd September 2014.

## 8. Available-for-sale financial assets

Available-for-sale financial assets are categorised according to their nature into one of two categories:

1) Investments and deposits consist mainly of fixed term deposits, bonds and certificates of deposits. These investments are held at fair value and are classified between current and non-current assets according to the maturity date.

2) Other investments include securities and other investments held for strategic purposes. These investments are held at fair value unless a fair value cannot be accurately determined in which case they are held at cost less any provision for impairment.

| | **6 months ended 30th June 2014** | | |
|---|---|---|---|
| | **Other investments £'000** | **Investments and deposits £'000** | **Total £'000** |
| **At 1st January 2014** | **5,948** | **17,819** | **23,767** |
| Exchange differences | (79) | 256 | **177** |
| Additions | - | 1,310 | **1,310** |
| Companies acquired | 31 | - | **31** |
| Disposals/maturities | (999) | (7,928) | **(8,927)** |
| Revaluation gain (included within equity) | 12 | - | **12** |
| **At 30th June 2014** | **4,913** | **11,457** | **16,370** |
| **Analysis of available-for-sale financial assets** | | | |
| Current | - | 1,331 | **1,331** |
| Non-current | 4,913 | 10,126 | **15,039** |
| **At 30th June 2014** | **4,913** | **11,457** | **16,370** |
| **Analysis of available-for-sale investments and deposits** | | | |
| Fiduciary | | 10,012 | |
| Own funds | | 1,445 | |
| **At 30th June 2014** | | **11,457** | |

| | 6 months ended 30th June 2013 | | |
|---|---|---|---|
| | Other investments £'000 | Investments and deposits £'000 | Total £'000 |
| At 1st January 2013 | 3,104 | 14,546 | 17,650 |
| Exchange differences | 49 | (1,188) | (1,139) |
| Additions | 3,230 | 6,239 | 9,469 |
| Disposals/maturities | - | (252) | (252) |
| Revaluation gain (included within equity) | 40 | - | 40 |
| At 30th June 2013 | 6,423 | 19,345 | 25,768 |
| Analysis of available-for-sale financial assets | | | |
| Current | - | 1,026 | 1,026 |
| Non-current | 6,423 | 18,319 | 24,742 |
| At 30th June 2013 | 6,423 | 19,345 | 25,768 |
| Analysis of available-for-sale investments and deposits | | | |
| Fiduciary | | 18,191 | |
| Own funds | | 1,154 | |
| At 30th June 2013 | | 19,345 | |

## 9. Derivative financial instruments

| | **As at 30th June 2014** | | As at 30th June 2013 | |
|---|---|---|---|---|
| | **Assets £'000** | **Liabilities £'000** | Assets £'000 | Liabilities £'000 |
| Interest rate swaps – fair value hedges | **3,736** | **(11,260)** | 4,682 | (13,908) |
| Forward foreign exchange contracts – cash flow hedges | **25,875** | **(23,205)** | 8,926 | (11,867) |
| **Total** | **29,611** | **(34,465)** | 13,608 | (25,775) |
| Current | **10,513** | **(1,769)** | 1,558 | (4,587) |
| Non-current | **19,098** | **(32,696)** | 12,050 | (21,188) |
| **Total** | **29,611** | **(34,465)** | 13,608 | (25,775) |

The Group's treasury policies are approved by the Board and are implemented by a centralised treasury department. The treasury department operates within a framework of policies and procedures that establishes specific guidelines to manage currency risk, liquidity risk and interest rate risk and the use of counterparties and financial instruments to manage these. The treasury department is subject to regular internal audit.

The Group uses various derivative instruments including forward foreign exchange contracts, interest rate swaps and from time to time, foreign currency collars and options to manage the risks arising from variations in currency and interest rates. Derivative instruments purchased are primarily denominated in the currencies of the Group's main markets.

Where forward foreign exchange contracts have been entered into to manage currency risk, they are designated as hedges of currency risk on specific future cash flows, and qualify as highly probable transactions for which hedge accounting is applied. The Group anticipates that hedge accounting requirements will continue to be met on its foreign currency and interest rate hedging activities and that no material ineffectiveness will arise which will result in gains or losses being recognised through the income statement.

The fair value of financial derivatives based upon market values as at 30th June 2014 and designated as effective cash flow hedges was a net asset of £2.7 million and has been deferred in equity (2013: net liability of £2.9 million). Gains and losses arising on derivative instruments outstanding as at 30th June 2014 will be released to the income statement at various dates up to:

a) 32 months in respect of cash flow hedges on currency denominated UK earnings.

b) 11 years in respect of specific hedges on USD denominated long term debt drawn under the Group's USD private placement programme.

c) 12 years in respect of specific hedges on sterling denominated long term debt drawn under the Group's private placement programme.

No material amounts were transferred to the income statement during the period in respect of the fair value of financial derivatives.

Transactions maturing within 12 months of the balance sheet date are classified in current maturities. Transactions maturing in a period in excess of 12 months of the balance sheet date are classified as non-current maturities.

**a) Forward foreign exchange contracts**

The Group's major currency transaction exposure arises in USD and the Group continues to adopt a prudent approach in actively managing this exposure. As at 30th June 2014 the Group had outstanding foreign exchange contracts, principally in USD, amounting to a principal value of £681,123,000 (2013: £804,493,000).

**b) Interest rate swaps**

The Group uses interest rate hedges, principally interest rate swaps, to mitigate the impact of changes in interest rates. The notional principal amounts of outstanding cross currency and interest rate swaps as at 30th June 2014 was USD375,000,000 and £75,000,000 (2013: USD375,000,000 and £nil).

**c) Price risk**

The Group does not have a material exposure to commodity price risk.

The maximum exposure to credit risk at the reporting date is the fair value of the derivatives in the balance sheet.

## 10. Trade and other receivables

| | As at 30th June 2014 £'000 | As at 30th June 2013 £'000 |
|---|---|---|
| Trade receivables | **331,399** | 264,757 |
| Less: provision for impairment of trade receivables | **(12,097)** | (13,054) |
| Trade receivables – net | **319,302** | 251,703 |
| Other receivables | **137,494** | 117,155 |
| Prepayments | **28,646** | 23,578 |
| | **485,442** | 392,436 |

## 11. Cash and cash equivalents

| | As at 30th June 2014 £'000 | As at 30th June 2013 £'000 |
|---|---|---|
| Cash at bank and in hand | **449,651** | 314,967 |
| Short-term bank deposits | **388,519** | 394,558 |
| | **838,170** | 709,525 |
| Fiduciary | **720,711** | 609,824 |
| Own funds | **117,459** | 99,701 |
| | **838,170** | 709,525 |

Fiduciary funds represent client money held in the form of premiums due to underwriters, claims paid by insurers and due to policyholders, and funds held to defray commissions and other income. Fiduciary funds are not available for general corporate purposes.

The effective interest rate in respect of short-term deposits was 0.40% (2013: 0.50%). These deposits have an average maturity of 17 days (2013: 24 days).

## 12. Trade and other payables

| | As at 30th June 2014 £'000 | As at 30th June 2013 £'000 |
|---|---|---|
| Insurance payables | **730,723** | 628,015 |
| Social security and other taxes | **18,435** | 19,326 |
| Other payables | **98,890** | 83,909 |
| Accruals and deferred income | **107,367** | 86,977 |
| Deferred and contingent consideration | **15,622** | 8,401 |
| | **971,037** | 826,628 |

All payables are considered current.

## 13. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

| | **As at 30th June 2014** | | | |
|---|---|---|---|---|
| | **Loans and receivables £'000** | **Derivatives used for hedging £'000** | **Available-for-sale £'000** | **Total £'000** |
| **Assets per balance sheet** | | | | |
| Available-for-sale financial assets | - | - | 16,370 | **16,370** |
| Derivative financial instruments | - | 29,611 | - | **29,611** |
| Trade and other receivables (a) | 456,796 | - | - | **456,796** |
| Cash and cash equivalents | 838,170 | - | - | **838,170** |
| **Total** | **1,294,966** | **29,611** | **16,370** | **1,340,947** |

| | **Derivatives used for hedging £'000** | **Other financial liabilities £'000** | **Total £'000** |
|---|---|---|---|
| **Liabilities per balance sheet** | | | |
| Borrowings | - | (554,997) | **(554,997)** |
| Trade and other payables (b) | - | (863,670) | **(863,670)** |
| Derivative financial instruments | (34,465) | - | **(34,465)** |
| **Total** | **(34,465)** | **(1,418,667)** | **(1,453,132)** |

| | As at 30th June 2013 | | | |
|---|---|---|---|---|
| | Loans and receivables £'000 | Derivatives used for hedging £'000 | Available-for-sale £'000 | Total £'000 |
| Assets per balance sheet | | | | |
| Available-for-sale financial assets | - | - | 25,768 | 25,768 |
| Derivative financial instruments | - | 13,608 | - | 13,608 |
| Trade and other receivables (a) | 368,858 | - | - | 368,858 |
| Cash and cash equivalents | 709,525 | - | - | 709,525 |
| Total | 1,078,383 | 13,608 | 25,768 | 1,117,759 |

| | Derivatives used for hedging £'000 | Other financial liabilities £'000 | Total £'000 |
|---|---|---|---|
| Liabilities per balance sheet | | | |
| Borrowings | - | (328,464) | (328,464) |
| Trade and other payables (b) | - | (739,651) | (739,651) |
| Derivative financial instruments | (25,775) | - | (25,775) |
| Total | (25,775) | (1,068,115) | (1,093,890) |

*(a) Prepayments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.*
*(b) Non-financial liabilities are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.*

## 13. Financial instruments by category cont'd

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014.

| | **As at 30th June 2014** | | | |
|---|---|---|---|---|
| | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total** |
| **Assets** | | | | |
| Derivatives used for hedging | - | 29,611 | - | **29,611** |
| Available-for-sale financial assets | | | | |
| - equity securities | 731 | - | 3,914 | **4,645** |
| - debt investments | 268 | - | - | **268** |
| - fixed deposits | 11,457 | - | - | **11,457** |
| **Total** | **12,456** | **29,611** | **3,914** | **45,981** |
| **Liabilities** | | | | |
| Deferred and contingent consideration | - | - | (15,622) | **(15,622)** |
| Derivatives used for hedging | - | (34,465) | - | **(34,465)** |
| **Total** | **-** | **(34,465)** | **(15,622)** | **(50,087)** |

| | As at 30th June 2013 | | | |
|---|---|---|---|---|
| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total |
| Assets | | | | |
| Derivatives used for hedging | - | 13,608 | - | 13,608 |
| Available-for-sale financial assets | | | | |
| - equity securities | 663 | - | 5,482 | 6,145 |
| - debt investments | 278 | - | - | 278 |
| - fixed deposits | 19,345 | - | - | 19,345 |
| Total | 20,286 | 13,608 | 5,482 | 39,376 |
| Liabilities | | | | |
| Deferred and contingent consideration | - | - | (8,401) | (8,401) |
| Derivatives used for hedging | - | (25,775) | - | (25,775) |
| Total | - | (25,775) | (8,401) | (34,176) |

Apart from where disclosed, there are no differences between the fair value and the carrying value of financial assets and liabilities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using internal and external models. These models maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

During the period there were no transfers between level 1 and level 2.

There were no changes in valuation techniques during the period.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

In respect of deferred and contingent consideration, unobservable inputs include management's assessment of the expected future performance of relevant acquired businesses.

## 13. Financial instruments by category cont'd

A reconciliation of the movements in level 3 is provided below:

| | **Assets Level 3 £'000** | **Liabilities Level 3 £'000** |
|---|---|---|
| **At 1st January 2014** | **4,029** | **(13,048)** |
| Exchange differences | (86) | 428 |
| Companies acquired | 31 | (7,155) |
| Utilised in the period | - | 4,181 |
| Charged to income statement | (60) | (28) |
| **At 30th June 2014** | **3,914** | **(15,622)** |

## 14. Borrowings

| | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 |
|---|---|---|
| **Current** | | |
| Bank overdraft | **21,950** | 20,298 |
| Unsecured loan notes | **-** | 215 |
| Bank borrowings | **376** | - |
| Finance lease liabilities | **117** | 50 |
| | **22,443** | 20,563 |
| **Non-current** | | |
| Unsecured loan notes | **285,743** | 236,903 |
| Bank borrowings | **246,166** | 70,505 |
| Finance lease liabilities | **645** | 493 |
| | **532,554** | 307,901 |
| **Total borrowings** | **554,997** | 328,464 |

The borrowings include secured liabilities (leases) of £762,000 (2013: £543,000).

The carrying amounts and fair value of borrowings are as follows:

| | **As at 30th June 2014** | | As at 30th June 2013 | |
|---|---|---|---|---|
| | **Carrying amount £'000** | **Fair value £'000** | Carrying amount £'000 | Fair value £'000 |
| **Current** | | | | |
| Bank overdraft | **21,950** | **21,950** | 20,298 | 20,298 |
| Unsecured loan notes | **-** | **-** | 215 | 215 |
| Bank borrowings | **376** | **376** | - | - |
| Finance lease liabilities | **117** | **117** | 50 | 50 |
| | **22,443** | **22,443** | 20,563 | 20,563 |
| **Non-current** | | | | |
| Unsecured loan notes | **285,743** | **285,743** | 236,903 | 236,903 |
| Bank borrowings | **246,166** | **246,166** | 70,505 | 70,505 |
| Finance lease liabilities | **645** | **645** | 493 | 493 |
| | **532,554** | **532,554** | 307,901 | 307,901 |
| **Total borrowings** | **554,997** | **554,997** | 328,464 | 328,464 |

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### 15. Provisions for liabilities and charges

| | **6 months ended 30th June 2014** | | | |
|---|---|---|---|---|
| | **Property related provisions £'000** | **Litigation provisions £'000** | **Other £'000** | **Total £'000** |
| **At 1st January 2014** | **8,049** | **6,354** | **707** | **15,110** |
| Exchange differences | (1) | (38) | - | **(39)** |
| Utilised in the period | (1,900) | (888) | (50) | **(2,838)** |
| Charged/(credited) to the income statement | 1,544 | (980) | (27) | **537** |
| Interest charge | 5 | - | - | **5** |
| Companies acquired | (627) | - | - | **(627)** |
| **At 30th June 2014** | **7,070** | **4,448** | **630** | **12,148** |

| | 6 months ended 30th June 2013 | | | |
|---|---|---|---|---|
| | Property related provisions £'000 | Litigation provisions £'000 | Other £'000 | Total £'000 |
| At 1st January 2013 | 6,863 | 8,308 | 959 | 16,130 |
| Exchange differences | 2 | 83 | - | 85 |
| Utilised in the period | (397) | (1,802) | - | (2,199) |
| Charged/(credited) to the income statement | - | 1,416 | (59) | 1,357 |
| Interest charge | 16 | - | - | 16 |
| Companies acquired | - | (13) | - | (13) |
| At 30th June 2013 | 6,484 | 7,992 | 900 | 15,376 |

| | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 |
|---|---|---|
| **Analysis of total provisions:** | | |
| Current – to be utilised within one year | **7,369** | 11,926 |
| Non-current – to be utilised in more than one year | **4,779** | 3,450 |
| | **12,148** | 15,376 |

#### Property related provisions

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Provision is made for the future rental cost of vacant property and expected dilapidation expenses. In calculating the provision required, account is taken of the duration of the lease and any recovery of cost achievable from subletting. Property provisions occur principally in the UK and relate to a variety of lease commitments. The longest lease term for the UK is 2022.

#### Litigation provisions

At any point in time the Group can be involved in a variety of litigation issues. A provision is established in respect of such issues when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability. Where appropriate the Group also provides for the cost of defending or initiating such matters.

Where a litigation provision has been made it is stated gross of any third party recovery. All such recoveries are included as "other receivables" within trade and other receivables. At 30th June 2014, in connection with certain litigation matters, the Group's litigation provisions include an amount of £0.1 million (2013: £0.1 million) to reflect this gross basis and the corresponding insurance recovery has been included within trade and other receivables. This presentation has had no effect on the consolidated income statement for the six months ended 30th June 2014 (2013: nil).

#### Other

Other provisions include provisions for clawback of commission which arises on certain types of Employee Benefits contracts.

## 16. Other reserves

| | **6 months ended 30th June 2014** | | | |
|---|---|---|---|---|
| | **Share premium £'000** | **Fair value and hedging reserves £'000** | **Exchange reserves £'000** | **Total £'000** |
| **At 1st January 2014** | **103,739** | **17,224** | **(1,999)** | **118,964** |
| Fair value gains net of tax | | | | |
| - available-for-sale | - | 10 | - | **10** |
| - cash flow hedges | - | 5,084 | - | **5,084** |
| Currency translation differences | - | - | (9,327) | **(9,327)** |
| **Net gains/(losses) recognised directly in equity** | **-** | **5,094** | **(9,327)** | **(4,233)** |
| Issue of share capital | 131 | - | - | **131** |
| **At 30th June 2014** | **103,870** | **22,318** | **(11,326)** | **114,862** |

| | 6 months ended 30th June 2013 | | | |
|---|---|---|---|---|
| | Share premium £'000 | Fair value and hedging reserves £'000 | Exchange reserves £'000 | Total £'000 |
| At 1st January 2013 | 103,188 | 15,456 | 20,893 | 139,537 |
| Fair value gains/(losses) net of tax | | | | |
| - available-for-sale | - | 30 | - | 30 |
| - cash flow hedges | - | (25,815) | - | (25,815) |
| Currency translation differences | - | - | 6,493 | 6,493 |
| Net (losses)/gains recognised directly in equity | - | (25,785) | 6,493 | (19,292) |
| Issue of share capital | 456 | - | - | 456 |
| At 30th June 2013 | 103,644 | (10,329) | 27,386 | 120,701 |

## 17. Qualifying Employee Share Ownership Trust

During the period, the Qualifying Employee Share Ownership Trust (QUEST) allocated 407 ordinary shares to employees in satisfaction of options that have been exercised under the Sharesave schemes (2013: nil).

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## 18. Cash generated from operations

| | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
|---|---|---|
| **Profit before taxation** | **98,357** | 85,116 |
| Investment and finance income | **(2,293)** | (2,817) |
| Interest payable on bank loans and finance leases | **7,964** | 5,218 |
| Fair value losses/(gains) on financial instruments | **50** | (378) |
| Net pension financing expenses | **2,939** | 2,766 |
| Unwinding of liability discounting | **33** | 63 |
| Depreciation | **5,434** | 5,483 |
| Amortisation of intangible assets | **12,199** | 9,770 |
| Amortisation of share based payments | **9,095** | 8,082 |
| Share of results of associates' undertakings | **(7,173)** | (7,485) |
| Non-cash exceptional items | **2,738** | 331 |
| Gains on disposal of property, plant and equipment | **(86)** | (77) |
| Gains on disposal of fixed asset investments | **(103)** | (1) |
| Increase in trade and other receivables | **(70,971)** | (44,737) |
| Decrease in trade and other payables – excluding insurance broking balances | **(28,104)** | (16,548) |
| Decrease in provisions for liabilities and charges | **(2,301)** | (842) |
| Decrease in retirement benefit obligation | **(1,448)** | (7,028) |
| **Net cash inflow from operations** | **26,330** | 36,916 |

## 19. Business combinations

### 2013 acquisitions

During the period, the process of finalising the provisional fair values in respect of acquisitions carried out during 2013 has resulted in the following changes.

| | Revised fair value acquired £'000 | Provisional fair value reported at 31st Dec 2013 £'000 | Change in fair value £'000 |
|---|---|---|---|
| Towers Watson Reinsurance Group | 32,134 | 31,907 | 227 |
| Others | 3,376 | 1,819 | 1,557 |
| | **35,510** | **33,726** | **1,784** |

These changes in fair values affected the following balance sheet classes:

| | Revised fair value acquired £'000 | Provisional fair value reported at 31st Dec 2013 £'000 | Change in fair value £'000 |
|---|---|---|---|
| Property, plant and equipment | 786 | 786 | - |
| Other intangible assets | 8,339 | 6,759 | 1,580 |
| Available-for-sale financial assets | 1,003 | 1,003 | - |
| Trade and other receivables | 23,277 | 23,662 | (385) |
| Cash and cash equivalents | | | |
| - own cash | 23,940 | 23,920 | 20 |
| - fiduciary cash | 21,606 | 21,606 | - |
| Insurance payables | (21,606) | (21,606) | - |
| Trade and other payables | (16,536) | (16,431) | (105) |
| Current taxation | 104 | 104 | - |
| Deferred taxation | (3,226) | (3,226) | - |
| Bank overdraft | (360) | (360) | - |
| Provisions for liabilities and charges | (528) | (1,155) | 627 |
| Non-controlling interests | (1,289) | (1,336) | 47 |
| | **35,510** | **33,726** | **1,784** |

| **Goodwill calculation** | As at 30th June 2014 £'000 | As at 31st Dec 2013 £'000 | Change £'000 |
|---|---|---|---|
| Purchase consideration | | | |
| - cash paid | 189,563 | 189,281 | 282 |
| - contingent consideration | 4,826 | 4,826 | - |
| - deferred consideration | 3,149 | 3,149 | - |
| **Total purchase consideration** | **197,538** | **197,256** | **282** |
| Less fair value of net assets acquired | 35,510 | 33,726 | 1,784 |
| **Goodwill** | **162,028** | **163,530** | **(1,502)** |

| | As at 30th June 2014 £'000 | As at 31st Dec 2013 £'000 | Change £'000 |
|---|---|---|---|
| Purchase consideration settled in cash | 189,563 | 189,281 | 282 |
| Cash and cash equivalents – own cash in subsidiaries acquired | (23,940) | (23,920) | (20) |
| | **165,623** | **165,361** | **262** |
| Cash and cash equivalents – fiduciary cash in subsidiaries acquired | (21,606) | (21,606) | - |
| **Cash outflow on acquisition** | **144,017** | **143,755** | **262** |

## 19. Business combinations cont'd

### Current period acquisitions

During the period the following new business acquisitions and additional investments were completed:

| | Notes | Acquisition date | Percentage voting rights acquired | Cost £'000 |
|---|---|---|---|---|
| Lambert Brothers Holdings Limited | i | Jan 2014 | 100% | 5,930 |
| SCK Corretora e Administradora de Seguros Ltda | ii | Jan 2014 | 75% | 4,038 |
| Ensign Pension Administration Limited | iii | Apr 2014 | 100% | 9,914 |
| Acquisition of other new businesses completed during the period | iv | Jan – Jun 2014 | - | 2,750 |
| Additional investment in existing businesses | iv | Jan – Jun 2014 | - | 1,779 |
| | | | | **24,411** |

### i) Acquisition of Lambert Brothers Holdings Limited (Lambert)

On 14th January 2014, the Group acquired Lambert Brothers Holdings Limited in Hong Kong, a mid-market insurance broker with broking operations in Marine Hull, Construction, Employee Benefits, Corporate and SME schemes. The acquired business contributed revenue of £1,815,000 and a net profit of £534,000 to the Group for the period since acquisition. If the acquisition had taken place on 1st January 2014 the contribution to Group revenue and net profit would have been £2,011,000 and £633,000 respectively.

| **Goodwill calculation** | **£'000** |
|---|---|
| Purchase consideration | |
| - cash paid | 3,235 |
| - contingent consideration | 924 |
| - deferred consideration | 1,771 |
| **Total purchase consideration** | **5,930** |
| Less fair value of net assets acquired | 2,393 |
| **Goodwill** | **3,537** |

The assets and liabilities arising from the acquisition were as follows:

| | Acquiree's carrying amount £'000 | Fair value £'000 |
|---|---|---|
| Property, plant and equipment | 170 | 170 |
| Other intangible assets | 27 | 27 |
| Available-for-sale financial assets | 31 | 31 |
| Trade and other receivables | 865 | 865 |
| Cash and cash equivalents | | |
| - own cash | 1,697 | 1,697 |
| - fiduciary cash | 2,323 | 2,323 |
| Insurance payables | (2,323) | (2,323) |
| Trade and other payables | (371) | (371) |
| Current taxation | (21) | (21) |
| Deferred taxation | (5) | (5) |
| | **2,393** | **2,393** |

| | **£'000** |
|---|---|
| Purchase consideration settled in cash | 3,235 |
| Cash and cash equivalents – own cash in subsidiary acquired | (1,697) |
| | **1,538** |
| Cash and cash equivalents – fiduciary cash in subsidiary acquired | (2,323) |
| **Cash inflow on acquisition** | **(785)** |

## 19. Business combinations cont'd

As at 30th June 2014, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

The deferred consideration of £1,771,000 is based upon the completion accounts net assets. The amount recognised is based on the provisional amount of assets acquired as stated above.

The contingent consideration of £924,000 is based on the expected turnover for 2014. The maximum amount of contingent consideration payable has been provided for.

None of the goodwill recognised is expected to be deductible for income tax purposes.

### ii) Acquisition of SCK Corretora e Administradora de Seguros Ltda (SCK)

On 29th January 2014, the Group acquired SCK Corretora e Administradora de Seguros Ltda, a Brazil based Employee Benefits and Insurance broking operations mainly in Property & Casualty and Affinity. The acquired business contributed revenue of £2,332,000 and a net profit of £630,000 to the Group for the period since acquisition. If the acquisition had taken place on 1st January 2014 the contribution to Group revenue and net profit would have been £2,532,000 and £611,000 respectively.

| **Goodwill calculation** | **£'000** |
|---|---|
| Purchase consideration | |
| - cash paid | 4,038 |
| **Total purchase consideration** | **4,038** |
| Less fair value of net assets acquired | 127 |
| **Goodwill** | **3,911** |

The assets and liabilities arising from the acquisition were as follows:

| | **Acquiree's carrying amount £'000** | **Fair value £'000** |
|---|---|---|
| Property, plant and equipment | 56 | 56 |
| Other intangible assets | 1 | 1 |
| Trade and other receivables | 696 | 696 |
| Cash and cash equivalents | | |
| - own cash | 50 | 50 |
| Trade and other payables | (678) | (678) |
| Current taxation | 2 | 2 |
| | **127** | **127** |

| | **£'000** |
|---|---|
| Purchase consideration settled in cash | 4,038 |
| Cash and cash equivalents – own cash in subsidiary acquired | (50) |
| **Cash outflow on acquisition** | **3,988** |

As at 30th June 2014, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

None of the goodwill recognised is expected to be deductible for income tax purposes.

## 19. Business combinations cont'd

### iii) Acquisition of Ensign Pension Administration Limited (Ensign)

On 1st May 2014, the Group announced the acquisition of Ensign Pension Administration Limited, a UK based Employee Benefits consultant and administrator. The acquired business contributed revenue of £2,849,000 and a net profit of £611,000 to the Group for the period since acquisition. If the acquisition had taken place on 1st January 2014 the contribution to Group revenue and net profit would have been £9,007,000 and £2,239,000 respectively.

| **Goodwill calculation** | **£'000** |
|---|---|
| Purchase consideration | |
| - cash paid | 5,623 |
| - deferred consideration | 4,291 |
| **Total purchase consideration** | **9,914** |
| Less fair value of net assets acquired | 4,822 |
| **Goodwill** | **5,092** |

The assets and liabilities arising from the acquisition were as follows:

| | **Acquiree's carrying amount £'000** | **Fair value £'000** |
|---|---|---|
| Property, plant and equipment | 645 | 645 |
| Other intangible assets | 13 | 644 |
| Trade and other receivables | 3,448 | 3,448 |
| Cash and cash equivalents | | |
| - own cash | 3,546 | 3,546 |
| Trade and other payables | (3,384) | (3,384) |
| Current taxation | (201) | (201) |
| Deferred taxation | 124 | 124 |
| | **4,191** | **4,822** |

| | **£'000** |
|---|---|
| Purchase consideration settled in cash | 5,623 |
| Cash and cash equivalents – own cash in subsidiary acquired | (3,546) |
| **Cash outflow on acquisition** | **2,077** |

As at 30th June 2014, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

The deferred consideration of £4,291,000 is based upon the completion accounts net assets. The amount recognised is based on the provisional amount of assets acquired as stated above.

None of the goodwill recognised is expected to be deductible for income tax purposes.

### iv) Other acquisitions and additional investments

| **Goodwill calculation** | **£'000** |
|---|---|
| Purchase consideration | |
| - cash paid | 4,360 |
| - deferred consideration | 169 |
| **Total purchase consideration** | **4,529** |
| Less fair value of net assets acquired | 446 |
| Less equity movement on transactions with non-controlling interests | 1,333 |
| **Goodwill** | **2,750** |

## 19. Business combinations cont'd

The assets and liabilities arising from acquisitions were as follows:

| | Acquiree's carrying amount £'000 | Fair value £'000 |
|---|---|---|
| Non-controlling interests | 446 | 446 |
| | **446** | **446** |

| | £'000 |
|---|---|
| Purchase consideration settled in cash | 4,360 |
| **Cash outflow on acquisition** | **4,360** |

As at 30th June 2014, the process of reviewing the fair values of assets acquired had not been completed, consequently the fair values stated above are provisional.

The goodwill of £2,750,000 is expected to be deductible for income tax purposes.

### Group summary of the net assets acquired and goodwill

| | Lambert £'000 | SCK £'000 | Ensign £'000 | Others £'000 | Total £'000 |
|---|---|---|---|---|---|
| Purchase consideration | | | | | |
| - cash paid | 3,235 | 4,038 | 5,623 | 4,360 | **17,256** |
| - contingent consideration | 924 | - | - | - | **924** |
| - deferred consideration | 1,771 | - | 4,291 | 169 | **6,231** |
| **Total purchase consideration** | **5,930** | **4,038** | **9,914** | **4,529** | **24,411** |
| Less fair value of net assets acquired | 2,393 | 127 | 4,822 | 446 | **7,788** |
| Less equity movement on transactions with non-controlling interests | - | - | - | 1,333 | **1,333** |
| **Goodwill on acquisitions occurring during the period** | **3,537** | **3,911** | **5,092** | **2,750** | **15,290** |
| Impact of revision to fair value adjustment in relation to acquisitions completed in 2013 | | | | | (1,502) |
| **Net increase in goodwill** | | | | | **13,788** |
| Impact of additional investments | | | | | 1,333 |
| **Net decrease in equity** | | | | | **1,333** |

### Group summary of cash flows

| | Lambert £'000 | SCK £'000 | Ensign £'000 | Others £'000 | Total £'000 |
|---|---|---|---|---|---|
| Purchase consideration settled in cash | 3,235 | 4,038 | 5,623 | 4,360 | **17,256** |
| Cash and cash equivalents – own cash in subsidiaries acquired | (1,697) | (50) | (3,546) | - | **(5,293)** |
| | **1,538** | **3,988** | **2,077** | **4,360** | **11,963** |
| Cash and cash equivalents – fiduciary cash in subsidiaries acquired | (2,323) | - | - | - | **(2,323)** |
| **Cash (inflow)/outflow on acquisition in the period** | **(785)** | **3,988** | **2,077** | **4,360** | **9,640** |
| Impact of revision to fair value adjustment on cash in relation to acquisitions completed in 2013 | | | | | 262 |
| **Net cash outflow on acquisition** | | | | | **9,902** |

## 20. Business disposals

On 9th May 2014, the Group disposed of 100% of its shareholding in ForVision Risk Services Ltd, after the transfer of its business to another Group company, for a consideration of £153,000 which equalled the value of the net assets disposed. The transaction resulted in a net cash inflow of £8,000.

## 21. Retirement benefit obligations

The Group operates a number of pension schemes throughout the world, the most significant of which are of the defined benefit type and operate on a funded basis. The principal pension schemes are the Jardine Lloyd Thompson Pension Scheme in the UK, the JLT (USA) Incentive Savings Plan, the JLT (USA) Employee Retirement Plan, the Pension Plan for Employees of Jardine Lloyd Thompson Canada Inc and the Jardine Lloyd Thompson Ireland Limited Pension Fund.

The pension costs accrued for the period are comprised as follows:

| | **6 months ended 30th June 2014** | | | 6 months ended 30th June 2013 | | |
|---|---|---|---|---|---|---|
| | **UK £'000** | **Overseas £'000** | **Total £'000** | UK £'000 | Overseas £'000 | Total £'000 |
| Defined benefit schemes | **-** | **58** | **58** | - | 78 | 78 |
| Defined contribution schemes | **9,781** | **8,273** | **18,054** | 8,185 | 6,654 | 14,839 |
| | **9,781** | **8,331** | **18,112** | 8,185 | 6,732 | 14,917 |

The amounts recognised in the consolidated income statement are as follows:

| | **UK Scheme** | | **Overseas Schemes** | | **Total** | |
|---|---|---|---|---|---|---|
| | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 | **6 months ended 30th June 2014 £'000** | 6 months ended 30th June 2013 £'000 |
| Expenses (included within salaries and associated expense) | **-** | - | **(58)** | (78) | **(58)** | (78) |
| Interest cost | **(13,163)** | (12,948) | **(1,317)** | (1,302) | **(14,480)** | (14,250) |
| Expected return on assets | **10,337** | 10,566 | **1,204** | 918 | **11,541** | 11,484 |
| Total (included within finance costs) | **(2,826)** | (2,382) | **(113)** | (384) | **(2,939)** | (2,766) |
| **Expense before taxation** | **(2,826)** | (2,382) | **(171)** | (462) | **(2,997)** | (2,844) |

The amounts disclosed in respect of both the UK and Overseas defined benefit schemes ("the Schemes") have been projected from previous valuations of the schemes. They do not represent the results of a full actuarial valuation. In respect of 30th June 2014 the Group has updated its assumption regarding the discount rate applicable to the Scheme liabilities in line with current market information.

## 21. Retirement benefit obligations cont'd

The amounts included in the consolidated statement of comprehensive income are as follows:

| | 6 months ended 30th June 2014 | | | | |
|---|---|---|---|---|---|
| | UK Scheme | | Overseas Schemes | | Total |
| | £'000 | % | £'000 | % | £'000 |
| Actual return less expected return on Scheme assets | **7,074** | | **1,352** | | **8,426** |
| % of period end market value of Scheme assets | | **1.5%** | | **2.5%** | |
| Experience gains arising on Scheme liabilities (1) | **-** | | **270** | | **270** |
| % of period end present value of Scheme liabilities (1) | | **0.0%** | | **0.4%** | |
| Changes in assumptions underlying the present value of the Scheme liabilities | **(19,757)** | | **(5,605)** | | **(25,362)** |
| % of period end present value of Scheme liabilities | | **(3.3%)** | | **(8.8%)** | |
| **Actuarial loss recognised in reserves (2)** | **(12,683)** | | **(3,983)** | | **(16,666)** |
| **% of period end present value of Scheme liabilities** | | **(2.1%)** | | **(6.3%)** | |

| | UK Scheme | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 |
| **Defined benefit liability** | | | | | | |
| Present value of funded obligations | **(606,769)** | (577,824) | **(63,656)** | (67,705) | **(670,425)** | (645,529) |
| Fair value of plan assets | **466,992** | 466,118 | **54,903** | 52,997 | **521,895** | 519,115 |
| **Net liability recognised in the balance sheet** | **(139,777)** | (111,706) | **(8,753)** | (14,708) | **(148,530)** | (126,414) |

| | UK Scheme | | Overseas Schemes | | Total | |
|---|---|---|---|---|---|---|
| | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 |
| **Reconciliation of defined benefit liability** | | | | | | |
| Opening defined benefit liability | **(125,018)** | (110,738) | **(5,609)** | (20,652) | **(130,627)** | (131,390) |
| Exchange differences | **-** | - | **254** | (1,229) | **254** | (1,229) |
| Pension expense | **(2,826)** | (2,382) | **(171)** | (462) | **(2,997)** | (2,844) |
| Employer contributions | **750** | 6,000 | **756** | 1,106 | **1,506** | 7,106 |
| Total (loss)/gain recognised in reserves (2) | **(12,683)** | (4,586) | **(3,983)** | 6,529 | **(16,666)** | 1,943 |
| **Net liability recognised in the balance sheet** | **(139,777)** | (111,706) | **(8,753)** | (14,708) | **(148,530)** | (126,414) |

| | **As at 30th June 2014 £'000** | As at 30th June 2013 £'000 |
|---|---|---|
| **Defined benefit obligation recognised in the balance sheet** | | |
| Retirement benefit obligation | **(148,530)** | (126,414) |

*(1) Calculation is only done as part of the year-end valuation of the schemes*
*(2) Amounts recognised in reserves have been taken through the statement of comprehensive income*

## 22. Related-party transactions

The Group has taken advantage of the exemption available under IAS 24, "Related Party Disclosures", not to disclose details of transactions with its subsidiary undertakings. There were no material related party transactions during the period.

## 23. Principal risks

As with all businesses, the Group is exposed to a range of financial and operational risks, not wholly within our control, which could have a material impact on the Group's financial performance.

The Group takes a holistic approach to risk management and the control environment with the responsibility and accountability shared across all the Group companies, and the ultimate responsibility resting with the Board.

The principal risks to which the Group will be exposed in the second half of the financial year are substantially the same as those discussed on pages 41 and 42 of the Group's Annual Report for 2013. These are summarised below:

| Principal Risks | Nature of Risk |
|---|---|
| **STRATEGIC RISKS** | |
| Economic instability | JLT's business is more tied to economic activity and growth rather than market rates, since greater levels of corporate activity drive greater demand for the Group's services. |
| Strategic risks | There are risks to the business model arising from changes in external events, our markets and customer behaviour as well as risks arising from mergers and acquisitions. |
| **OPERATIONAL RISKS** | |
| Loss of key staff | The Group's core asset is its people. Therefore there is a risk that the organisation may no longer be able to attract and retain market leading talent. |
| Business interruption | The Group operates out of 115 offices in 40 territories across the world, each with a unique local environment. There is a risk of a business interruption due to a large external event. |
| Loss of IT environment | The JLT businesses are reliant on the ability to process its transactions on behalf of its clients. Risks arising from non-performance of an IT supplier, malicious act, cyber crime and staff not following Group IT policies and procedures. |
| Information security | Intermediaries and pension administrators retain confidential data in the normal course of business. Risk of loss of records, breach of confidentiality or inadequate security measures need to be managed. |
| Errors and omissions | Intermediaries run a risk of incurring a loss if the operating procedures in place across the Group are not complied with or alleged negligence in provision of services/advice becomes apparent. |
| Regulatory sanctions / financial crimes | The JLT Group operates in a regulated environment in many jurisdictions across the world. Risks arise from non-compliance with or misinterpretation of local and international regulations and failure to meet regulatory standards. |
| **FINANCIAL RISKS** | |
| Capital risk and liquidity | Risks arising from an inability to maintain an efficient capital structure and ensure an optimal cost of capital. |
| Foreign currency | The Group operates in 40 territories and incurs foreign exchange exposures in the normal course of business. |
| Interest rate risk | Risk of adverse impact on earnings from net exposure to changes in interest rates. |
| Counterparty risk | There is a risk to JLT if there is a failure of a key counterparty resulting in a loss of own cash, fiduciary funds, investments and deposits, derivative assets and trade receivables. |
| Defined benefit pension scheme | Risk of adverse impact on the Balance Sheet and Income Statement as a consequence of an increase in the defined benefit pension scheme deficit. |

## 24. Forward-looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

## Statement of directors' responsibilities

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Jardine Lloyd Thompson Group plc are listed in the Annual Report of the Company for the year ended 31st December 2013, with the exception of Mr Nick MacAndrew who resigned on 29th April 2014.

On behalf of the Board

M T Reynolds
Finance Director

29th July 2014

## Independent review report to Jardine Lloyd Thompson Group plc

### Report on the consolidated interim financial statements

#### Our conclusion

We have reviewed the consolidated interim financial statements, defined below, in the interim report' of Jardine Lloyd Thompson Group Plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

#### What we have reviewed

The interim financial statements, which are prepared by Jardine Lloyd Thompson Group Plc, comprise:

- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated balance sheet as at 30 June 2014;
- the consolidated statement of changes in equity for the period then ended; and
- the consolidated statement of cash flows for the period then ended;
- the explanatory notes to the consolidated interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

#### What a review of consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial statements.

## Independent review report to Jardine Lloyd Thompson Group plc

### Responsibilities for the consolidated interim financial statements and the review

**Our responsibilities and those of the directors**

The interim report, including the consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the consolidated interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
29th July 2014
London

*Notes:*

(a) *The maintenance and integrity of the Jardine Lloyd Thompson Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

(b) *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*